Appraisal - WWW.DoctorTAlk.com

Background – The domain name, www.doctortalk.com, was acquired by the Taxpayer in Oklahoma in October 1998. The site is a retail store for approximately a dozen neutraceutical products and offers online chat regarding Dr.'s medical recommendation and treatment. He provides online consultation at $150.00 per hour or $85.00 per half hour. The split of revenue between product sales and consultation is not known.

Revenue Stream –. Based on a mix of product margin between the sale of neutraceutical products and professional consultation, a gross margin of 50% is probably a reasonable estimate to use for cash flow analysis.

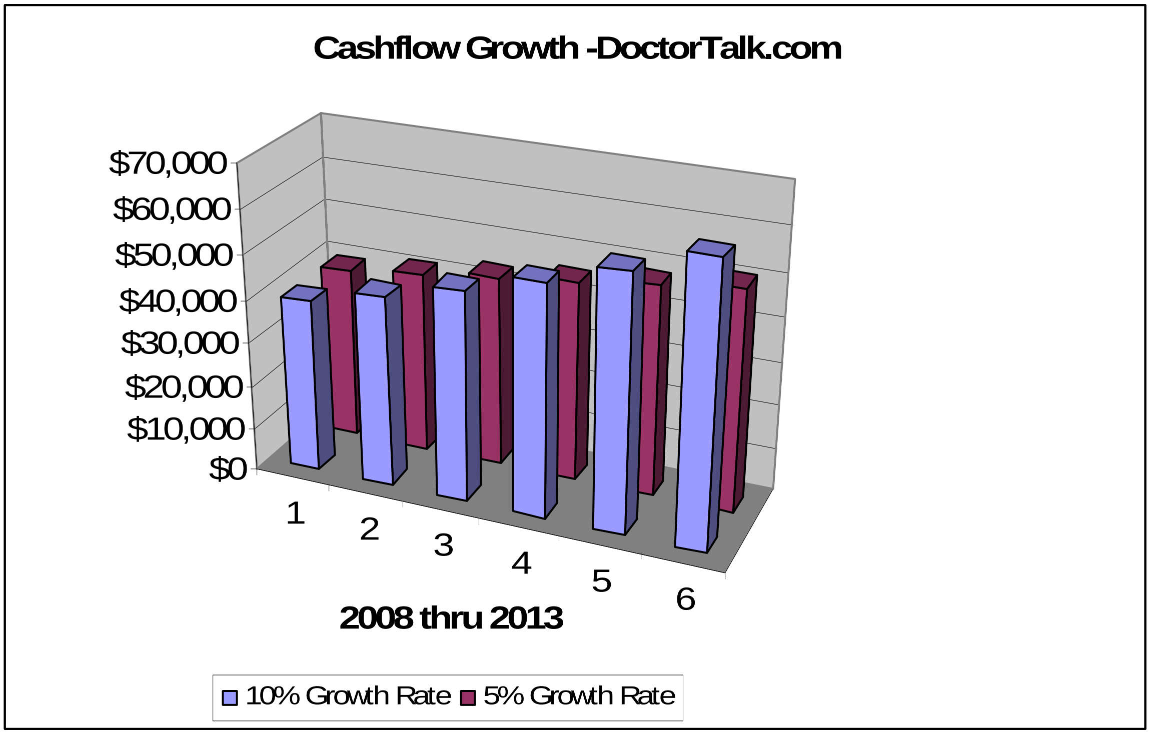
Industry Estimates – Internet Retailer Magazine reports on the annual growth of Internet retail sales from several research groups such as Jupiter Research and others. The Online growth year over year for 2007 was a maximum of 22.2% for web-only merchants. Assuming this was the upper range for the next years and ½ that rate of 11.1% would be on the low side. For simplification we can use a 10% and 5% profit growth. We can project a range of growth for the next five years (shown below).

Year	10% Growth	5% Growth
2008	$39,600	$39,600
2009	$43,560	$41,580
2010	$47,916	$43,659
2011	$52,708	$45,842
2012	$57,978	$48,134
2013	$63,776	$50,541

5 year Projection of Annual Sales based on Cash Flow Growth Rates

We are assuming that the business will grow at a specific rate in the first five years. After that, the cash flow will become stable. So we use the perpetuity formula to get the value of this perpetuity at the end of 2012. Then we can combine the value of perpetuity and the cash flow from the first five years and get the present value of the business.

The same growth figures represent a modest growth estimate for www.Doctor Talk.com over the next five years for a potential buyer. (Shown below)



Net Present Value - Using the two five year growth estimates, we will calculate the net present value (NPV) which is defined as the total present value of a time series of cash flow. It is a standard method of for using the time value of money to value projects or investments. We will use it for determine a value for each of the potential growth rates, since this is a parameter that is unknown for a potential buyer. It will give us a range of values to expect for an offer for the company.

As part of the NPV calculation, we need to discount future cash flows back to present their present value so that the sum of each years cash flow back to the present contribute to the total present value. The selection of this discount rate is the subject of many factors. These factors include prime rate, cost of borrowing, return on alternate investments, etc.

We will use three discount rates: 6%, 8% and 10%, the higher the percentage, the higher the costs of borrowing, thus resulting in the lower the current value. Thus it also results in the lower valuation of the Net Present

Value. Utilizing the fifth year of the annual sales figures for two growth rates, the calculated NPV put the value at $526,000.00.

	10.00%	5.00%
6%	$1,055,000	$861,516
8%	$791,440	$651,660
10%	$633,600	$526,000

Increasing Risk

Growth Rate

Net Present Value Calculation

Summary – The ultimate test of the value of the website is what a willing buyer will pay. It not possible to account for all of the following conditions:

- Ability to activate former customers
- Overall internet market growth
- Increase in number of direct competitors

We believe the estimate of $526,000 is the best estimate of a possible sale price based on the known factors of the business.

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